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C O N F I D E N T I A L SECTION 01 OF 02 JEDDAH 000284

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SUBJECT: BUSINESS COMMUNITY TABLE-TALK

REF: JEDDAH 103

Classified By: Consul General Tatiana Gfoeller, for  
reasons 1.4 (b) and (d).

1. C) SUMMARY At a reception hosted by the American Businessmen of Jeddah (ABJ) held at the CGR on March 29, guests commented on a variety of topics relating to local business and economic conditions. In the wake of the recent public announcement that Saudi Arabian Airline's (Saudia) privatization plan had been approved by Saudi authorities, employees were already voicing concern for their jobs. The recent sharp decline in the Saudi stock exchange was described as personally painful by some but heralded as an essential dose of reality by others. A major construction company expressed satisfaction with the economic outlook, and surprisingly, satisfaction with Saudi college graduates. END SUMMARY.

#### SAUDIA EMPLOYEES ALREADY WORRYING

2. (C) During a reception sponsored by the American Businessmen of Jeddah (ABJ) on March 29 at the CGR, Pol/Econ Chief met Dr. Osama A. H. Zahran who is responsible for all medical clearances for personnel at Saudi Arabian Airlines (Saudia). When asked about employees' attitude toward the recently announced privatization plan for the airline, he indicated that employees were already anticipating job cuts. He speculated that the cuts would first affect the office staff, then the support staff, and finally the technical (among which he included his medical department) and flight personnel.

#### EXPATS HURT BY MARKET REVERSE; OPTIMISTIC ABOUT DIRECT INVESTMENT

3. (C) Pol/Econ Chief spoke with an American employee of Bin Laden Group who had been enthusiastic about his earnings in the stock market during another meeting in late winter. Now, he confessed, he had lost virtually all of his profits in the declining market over the last month. He was chagrined, but maintained his optimism, now that expatriates would be allowed to invest directly. He attributed much of his losses to the managers of the mutual funds, which had been the only avenue through which foreigners had been allowed to invest. He surmised that they had not had much of an investment strategy and had just bought what was available. He said he would feel better if he only had himself to blame for any future losses.

#### MARKET DECLINE MAY TEACH SAUDIS A LESSON

¶4. (C) Another guest at the reception, Kamal M. Quadir, a financial advisor to companies preparing for IPO's, thought that the bear market could be beneficial because it would force the Saudi investors to face reality. In his opinion, the sooner the investing public learned that there should be a sound financial basis for investment decisions the better. He also felt that the market authorities and the government should do a better job of teaching potential investors about investing.

¶5. (C) He admitted that one of the greatest difficulties he experienced in advising companies about preparation for "going public" was the need for transparency and sound corporate governance. He observed "it is difficult to explain to these companies that in dealing with the global financial environment, you can't just sit round the kitchen table and make a decision, or tell them (banks and investors) that grandfather made the decision and that's it." He explains to them that decision-making must be institutionalized and experts consulted. In his opinion, if Saudi companies fail to make the organizational transition, and adopt sound methods for corporate governance and transparency, they will not prosper.

#### CONSTRUCTION COMPANY HAS DIFFICULTY HIRING ENOUGH ENGINEERS . . .

¶6. (C) Several executives from Turner Construction Company complained about the difficulty they face in hiring enough experienced engineers and getting them into the country.

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Husein H. Odeh, the General Manager for Saudi operations, said that he simply could not find enough top engineers in the U.S. to fill all of his open positions, because of the restrictions on life in Saudi Arabia.

#### . . . BUT HAS SUCCESSFULLY HIRED SOME SAUDI ENGINEERS

¶7. (C) When asked about the employability of Saudi-educated engineers, he said that they have been successful with a number of hires, but, he cautioned, they only hire new graduates who haven't in his words "developed any bad habits yet." He said the Saudi graduates are competent and if inculcated with the proper attitude by senior staff, have proven good employees.

#### OTHER EMPLOYERS NOT PLEASED WITH SAUDI GRADUATES

¶8. (C) This experience is sharply at odds with what Pol/Econ Chief has heard from other senior corporate executives in recent weeks. More typical were the comments of business executives attending the Jeddah Economic Forum a few weeks earlier. At a dinner hosted by the Juffally Family for the Ambassador, Pol/Econ Chief discussed the employability of young Saudis with the head of a pharmaceutical company. The executive brusquely complained that Saudi youths were capable of doing the basic factory manufacturing tasks, but could not reliably be permitted to carry out product sales and support outside the factory. In the executives words: "Lock them in the factory with a supervisor to watch their every step and anyone will do. But we can't trust them to go out on the road and service the product." Several other executives in the group chimed in with similar comments.

#### ATTITUDE TOWARD TRAINING MAY BE THE DIFFERENCE

¶9. (C) COMMENT. Reconciling these contradictory opinions may be explained by the willingness to train the employee. Saudi companies seem to be unwilling or unable to provide the practical training that instills discipline, flexibility and initiative in workers. This deficiency in their training system has at least been tacitly admitted by businessmen who

constantly lobby post and American businesses for advanced training opportunities for Saudi workers (reftel). Coincidentally, this was demonstrated only a day after the pessimistic assessment at the Jufally dinner. After the day's sessions at the Jeddah Economic Forum (JEF) the Ambassador and Pol/Econ Chief were dining on the patio at the Hilton Hotel with the Australian Ambassador and Commercial Officer, when the group was joined by three Saudi businessmen. In the ensuing discussion, after disparaging the results of the Saudi educational system, the three businessmen pleaded with the Ambassadors to persuade American and Australian businesses to develop internships of a few weeks or months for young Saudis in order to teach them modern business practices and personal attitudes. END COMMENT.

Gfoeller